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Adam Proffitt, Director

Laura Kelly, Governor

January 24, 2022

The Honorable Caryn Tyson, Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 548-S
Topeka, Kansas 66612

Dear Senator Tyson:

SUBJECT: Fiscal Note for SB 328 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 328 is respectfully submitted to your committee.

Under current law, individual income tax rates are set at 3.1 percent for income under $15,000 ($30,000 for married filing jointly), 5.25 percent for income between $15,000 and $30,000 (between $30,000 and $60,000 for married filing jointly), and at 5.7 percent for income $30,000 and over ($60,000 and over for married filing jointly). SB 328 would set the individual income tax rate at 4.75 percent regardless of income and filing status beginning in tax year 2024.

The Department of Revenue estimates that SB 328 would decrease State General Fund revenues by $196.7 million in FY 2025, $152.5 million in FY 2026, and by $152.9 million in FY 2027. To formulate the estimates of the proposed income tax rate changes, the Department of Revenue reviewed data from tax year 2020 and created a simulated tax table. The individual income tax estimate for FY 2025 includes 100.0 percent of tax year 2024 tax liability and 30.0 percent of tax year 2025 tax liability. The individual income tax estimate for FY 2026 includes 70.0 percent of tax year 2025 tax liability and 30.0 percent of tax year 2026 tax liability.

The Department indicates that the bill would require $76,450 from the State General Fund in FY 2025 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

The Department of Administration indicates that adjusting state income tax collections has the potential to have a fiscal effect on the amount of revenue collected from its debt setoff program. This program intercepts individual income tax refunds and homestead tax refunds and applies those amounts to debts owed to state agencies, municipalities, district courts, and state agencies in other states. Debts include, but are not limited to child support, taxes, educational expenses, fines, services provided to the debtor, and court ordered restitution. As the dollar amounts of refunds are increased, the amount available for possible debt setoffs is also increased. However, the Department is unable to make a precise estimate of the amount of debts setoffs that will be intercepted as a result of the bill. Any fiscal effect associated with SB 328 is not reflected in *The FY 2023 Governor's Budget Report*.

Sincerely,

Adam Proffitt
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Celeste Chaney-Tucker, Department of Administration